

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 TRSE-00 OMB-01 DODE-00 PM-04 H-02 L-03

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 /072 W

----- 119740

R 161406Z NOV 76

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 0695

INFO AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ELAB, PINT, FI

SUBJECT: FINNISH LABOR WEIGHS ITS OPTIONS

REF: (A) HELSIKI 2281 (NOTAL) (B) HELSINKI 2270

1. SUMMARY: REBUFFED IN ITS EFFORTS TO GAIN CURRENT WAGE ADJUSTMENTS AND FACED WITH A WINTER OF SEVERE UNEMPLOYMENT, FINNISH LABOR IS CASTING ABOUT FOR AN INCOMES POLICY POSITION WHICH WILL ACCOMMODATE ECONOMIC REALITIES WITHOUT DISSIPATING WORKER SOLIDARITY AND TRADE UNION SUPPORT. END SUMMARY.

2. SAK POSITION: THE LEADING LABOR FEDERATION HAS RECOGNIZED THAT LITTLE WILL COME OF LABOR'S EFFORTS TO SALVAGE SOMETHING FROM THE UNPRODUCTIVE REVIEW OF THE CURRENT INCOMES POLICY SETTLEMENT WHICH RUNS THROUGH NEXT JANUARY. AS NOTED REF A, THE SAK ASKED THE GOF TO TIGHTEN PRICE CONTROLS AND REDUCE THE INCOME TAX IN LIEU OF DENIED WAGE INCREASES BUT HAS OTHERWISE ADOPTED A WAIT-AND-SEE ATTITUDE UNTIL THE END OF THE AGREEMENT. THE SAK DID

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DIRECT ITS MEMBER UNIONS TO SERVE NOTICE THAT CONTRACTS

EXPIRING AT THAT TIME WOULD BE TERMINATED (I.E. REQUIRE RENEGOTIATION). IN RECENT MEETINGS SAK UNION LEADERS HAVE INDICATED A DESIRE TO PROCEED WITH A NEW CENTRAL INCOMES AGREEMENT AND HAVE CALLED ON THE GOF TO APPOINT AN INCOMES POLICY MEDIATOR. HOWEVER, GIVEN THE TOUGH GOF STAND ON WAGES, THE GLOOMY ECONOMIC SITUATION, AND THE UNCERTAIN MOOD OF THE WORKER, THE SAK IS UNSURE OF WHAT TO DEMAND OR EXPECT IN THE NEW NEGOTIATING ROUND.

3. GOVERNMENT POSITION: THE GOVERNMENT HAS NOT RESPONDED DIRECTLY TO THE LATEST SAK DEMANDS, ALTHOUGH PRIMIN MIETTUNEN ANNOUNCED THAT ONLY VOLUNTARY PRICE CONTROLS COULD BE CONSIDERED. MIETTUNEN ALSO INDICATED THAT REDUCTION OF THE INCOME TAX IS POSSIBLE AS PART OF A BROADER TAX PACKAGE. GENERALLY, THOUGH, THE GOVERNMENT HAS NOT BEEN ENCOURAGING TO LABOR. TRADE AND INDUSTRY MINISTER BERNER LAID OUT A HARD GOVERNMENT LINE FOR THE NEXT ROUND WHEN HE TOLD AN AUDIENCE OF LABOR LEADERS OCTOBER 30 THAT WORKERS MUST THINK OF WAGE INCREASES IN TERMS NOT OF PERCENT BUT OF "PER MILL."

4. STATE OF ECONOMY: BERNER, AS HAD WAGE MINISTER LOIKKANEN AND BANK OF FINLAND DIRECTOR KOIVISTO, STRESSED THE GLOOMY FUTURE OF FINLAND'S ECONOMY AND EXPORT COMPETITIVENESS (REF B) HIS REMARKS WERE WELL TAKEN BY THE LABOR AUDIENCE, MINDFUL OF LAYOFFS ANNOUNCED BY FINNISH FIRMS EXPERIENCING DECLINING SALES. ALTHOUGH ACTUAL LAYOFFS TO DATE HAVE NOT BEEN EXTENSIVE, THEY HAVE AFFECTED THE KEY PAPER INDUSTRY, AND UNEMPLOYMENT THIS WINTER IS EXPECTED TO REACH 100,000. THERE IS AN INCREASING TENDENCY TO BELIEVE THAT ECONOMIC RECOVERY CAN ONLY COME WHEN THE IMPORTANT BRITISH MARKET BEGINS TO RECOVER. UNTIL THEN, AS A PRESIDENTIAL ADVISOR RECENTLY TOLD US WITHOUT A TRACE OF FACETIOUSNESS, THE PROSPECTS ARE "HOPELESS."

5. MOOD OF THE WORKER: THE SERIOUSNESS OF THE ECONOMIC SITUATION HAS NOT BEEN LOST ON THE FINNISH WORKER, ALTHOUGH EVEN THE WORKER PARTIES -- COMMUNISTS AND SOCIAL DEMOCRATS -- SEEM UNABLE TO GAUGE PRECISELY HOW HIS LIMITED OFFICIAL USE

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FRUSTRATION OVER RISING LIVING COSTS ON THE ONE HAND AND HIS CONCERN FOR JOB SECURITY ON THE OTHER CAN BEST BE TRANSLATED INTO COHERENT ECONOMIC OR POLITICAL ACTION. THE RANK AND FILE HAS BEEN LED BY BOTH PARTIES TO BELIEVE THAT PAY RAISES AND/OR TAX CUTS ARE TO BE EXPECTED FROM A NEW ROUND. HOWEVER, ITS FAITH IN THE ABILITY OF UNION LEADERS TO ACCOMPLISH THESE GOALS IS WAVERING AS ATTENTION TURNS FROM RISING BENEFITS TO RISING UNEMPLOY-

MENT. IN RETURN, LABOR LEADERSHIP APPEARS TO BE PROCEEDING CAUTIOUSLY, UNCERTAIN OF THE DEPTH OF WORKER SUPPORT.

6. STRIKE OPTION LIMITED: THE ECONOMIC SITUATION ALSO LIMITS THE FEASIBILITY OF RESORTING TO STRIKES IN SUPPORT OF NEGOTIATING OBJECTIVES, THUS REDUCING LABOR'S ALTERNATIVES. COMMUNISTS IN SAK SUGGESTED USING PRESSURE STRIKES DURING THE RECENT REVIEW, A PROPOSAL VOTED DOWN BY THE SAK SOCIAL DEMOCRATIC MAJORITY, WHICH LIKEWISE REJECTED COMMUNIST PARTY CHAIRMAN SAARINEN'S CALL FOR A ONE-DAY GENERAL STRIKE TO DEMONSTRATE WORKER UNITY. WHILE ACCORDING TO ONE SAK SOURCE BOTH PARTIES LOST CREDIBILITY WITH THE WORKERS IN THESE EXCHANGES, FINNISH LABOR IS AWARE THAT MANY EMPLOYERS WOULD PROBABLY WELCOME A STRIKE AS AN EXCUSE TO CLOSE DOWN PLANTS WHICH ARE NOW PRODUCING ONLY FOR INVENTORY, A MOVE WHICH WOULD CONTRIBUTE TO FURTHER UNEMPLOYMENT. LABOR ALSO SAW THE TOTAL EFFECTIVENESS OF DIRECT INTERCESSION BY PRESIDENT KEKKONEN IN THE RECENT TRAIN STRIKE. THE PRESIDENT'S ACTION, IN THE NAME OF "ECONOMIC NECESSITY," IS FEARED BY MANY TO HAVE ESTABLISHED A PRECEDENT STACKING THE CARDS EVEN FURTHER AGAINST STRIKERS IN THE FUTURE.

7. NEW NEGOTIATIONS: GIVEN ITS RESTRICTED OPTIONS, IT INCREASINGLY APPEARS THAT LABOR'S DEMANDS FOR THE NEW ROUND, WHICH BOTH GOF AND EMPLOYERS SEE AS CRUCIAL TO EFFORTS TO CUT INFLATION, WILL TAKE INTO CONSIDERATION NOT ONLY WORKER EXPECTATIONS BUT ALSO ECONOMIC REALITIES. AT A NOVEMBER 11 MEETING OF SAK UNION LEADERS, THE SOCIAL DEMOCRATS CAUTIONED THAT THE CHECKING OF INFLATION SHOULD HAVE TOP PRIORITY. ONE SAK ECONOMIST PRESENT SAID WAGE INCREASES SHOULD BE NOMINAL. THIS MODERATE POSITION LIMITED OFFICIAL USE

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WOULD BE CONSISTENT WITH THE GOF'S GOAL OF FOUR PERCENT, HOWEVER, IT WOULD REQUIRE RANK-AND-FILE SUPPORT AND COMMUNIST COOPERATION, NEITHER OF WHICH ARE ASSURED.

8. UNCERTAIN PROSPECTS: THERE IS ALSO THE POSSIBILITY THAT A CENTRAL AGREEMENT WILL NOT BE REACHED, IN VIEW OF THE ECONOMIC AND POLITICAL REALITIES. ASIDE FROM THE ANTICIPATED TOUGH EMPLOYER POSITION, THE NON-LEFTIST MAJORITY IN PARLIAMENT IS REGARDED AS ANTI-LABOR BY THE LEFT, WHICH EXPRESSES SKEPTICISM THAT THE GOF CAN BE COUNTED ON TO CARRY OUT COMMITMENTS (SUCH AS LEGISLATION OF PRICE CONTROLS) MADE AS PART OF AN INCOMES AGREEMENT. IF A MEANINGFUL CENTRAL AGREEMENT CANNOT BE ACHIEVED, THE SAK IS PREPARED TO GO AHEAD WITH SEPARATE INDUSTRY-WIDE AGREEMENTS. THESE WOULD HAVE THE ADVANTAGE OF MAXIMIZING

LEVERAE OF THE STRONGER UNIONS BUT WOULD LEAVE THE  
SAK AND OTHER FEDERATIONS WITH A LOSS OF INFLUENCE AT A  
TIME WHEN THEIR POWER BASES ALREADY APPEAR TO BE  
WEAKENING, AN AGGRAVATION OF THEIR DILLEMNA THEY WOULD  
PROBABLY PREFER TO AVOID.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** UNION GOVERNMENT RELATIONS, POLICIES, WAGE RATES, LABOR UNIONS, COLLECTIVE BARGAINING AGREEMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 NOV 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** coburnhl  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976HELSIN02397  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Handling Restrictions:** n/a  
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**Legacy Key:** link1976/newtext/t19761142/aaaabknz.tel  
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**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 HELSINKI 2281, 76 HELSINKI 2270  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** coburnhl  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 APR 2004 by ElyME>; APPROVED <09 AUG 2004 by coburnhl>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINNISH LABOR WEIGHS ITS OPTIONS  
**TAGS:** ELAB, PINT, FI  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006